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CONSULTATION ON FLUXYS BELGIUM'S TARIFFS PROPOSAL FOR TRANSMISSION TARIFFS 2020-2023

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Dear Madams/Sirs,

OMV Gas Marketing & Trading GmbH (OMV Gas) is an active player on the Belgian market and has highly awaited the 2020-2023 tariff proposal presented by Fluxys. We understand, also from the implementation process we are following in other countries, that NC TAR provides certain restrictions while envisaging tariff stability for the respective tariff setting period to the extent possible. However, we agree with Fluxys that the objectives behind NC TAR should not harm the functioning of the market, which is why we would like to share our thoughts on the proposal presented by Fluxys:

Reference Price Methodolgy (RPM):
OMV Gas supports the application of the capacity-weighted distance (CWD) methodology as RPM but does not see sufficient justification to change the current entry/exit split from 30/70 to 33/67. We believe the current market and its well-functioning characteristics should not be harmed by an – in our view – arbitrary shift in the entry/exit split at the expense of gas imports. We therefore recommend to continue the application of the 30/70 split.

Adjustments:
In this regard we question the capacity forecast by Fluxys, according to which no Loenhout capacity is expected to be booked for storage injection after 2020.
In addition, OMV Gas would like to gain a better understanding as to what type of analysis was made to conclude that a discount related to LNG transmission capacity is not considered. Our understanding is that security of supply should - under the umbrella of a European regulatory framework - potentially also be seen from a regional or continental perspective.

Transmission and Non-Transmission Services & Tariff:
Furthermore, we appreciate the continuing offer of specific products such as OCUC, which sustain Belgium's postion as an attractive market also for transit flows. We understand that NC TAR in principle does not prohibit a lower tariffication for such products. OMV Gas nevertheless questions the application of different rebate levels on certain OCUC products. Fluxys explains higher rebates are related to specifically short distances. The distance component however is, in our view, already fully reflected by using the CWD approach and therefore an additional distance-based discount on OCUC products seems unjustified.

General Remark:
Fluxys has revealed that a significant influencing factor for the outright tariffs to be expected between 2020-2023 is a re-compensation obligation (amounting to ~240m €) coming from over-recovery during the current tariff period. OMV Gas would like to understand why Fluxys is planning to limit this re-compensation setting the targeted regulatory account to 100m € (compared to currently 340m €). Fluxys argues that this target regulatory account is higher than the obligatory minimum, which would be a result of expected investments to be made. OMV Gas asks Fluxys to outline the predicted investment scheme (projects, infrastructure etc.) so that the intended "over-recovery" can be explained and thus justified. In our view a functioning market should be run at maximum efficiency levels. This includes maximum operating efficiency by the network operators. At the same time however it also implies that network users must not be overpaying especially if it lacks fundamental reasoning.

OMV Gas remains at your disposal if there is additional need for clarification. Should you have any questions, please do not hesitate to contact Mr Alexander Frank (alexander.frank@omv.com; +43 (0) 40440 27729).

OMV Gas